

Popular Industries Limited

file



Annual Report For the year ended October 31, **1969**



Investor Relations Canada Limited
43 Eglinton Avenue East
Toronto 12, Ontario
Vicky Wood, 481-4438

On behalf of: POPULAR INDUSTRIES LIMITED
3556 St. Lawrence Blvd.
Montreal, Quebec
Mr. M. Segal, President, 288-7121

MONTREAL, April 30, 1969 -- Shares of Popular Industries Limited

were today called for trading on the Montreal Stock Exchange.

The first trade was at \$8 1/4 per share, and the stock closed at \$8 1/8.

The company's fiscal year end has been changed from January 31 to October 31.

Sales for the first quarter ended January 31, 1969 were \$1,705,900, compared with \$1,379,200 for the quarter ended January 31, 1968. Net profit for the same period rose to \$89,600 from \$40,500.

Sales for the 12 months ended January 31, 1969, totalled \$9,128,600 over the previous year's \$6,780,600. Net profit increased during the same period to \$509,000, or 53 cents per share from \$342,000 or 35 cents per share.

Popular Industries was formed by the amalgamation of Popular Industries Inc. and Segal's (Michael) Inc. on October 31, 1968. Founded in 1935, the company has grown from a sportswear manufacturing business to a major importer of a broad range of men's, women's and children's clothing. The company's merchandise is sold mainly to large department stores, retail chains and specialty houses throughout Canada. There

are 12 company labels in all, made up of the company's own labels and those under retailers' private brands.

Popular Industries became a public company in February 1969 with the issuance of 300,000 shares through Gairdner & Company Limited.



POPULAR INDUSTRIES LIMITED

3556 St. Lawrence Blvd., Montreal 130, Canada - Tel. 288-7121*

AR27

June 30, 1969

To the Shareholders:

We are pleased to report increases in both sales and earnings for the first six months of the current fiscal year.

Sales for the six months totalled \$4,041,089 compared with \$3,881,058 in the corresponding period in 1968. Net earnings for the six months ended April 30, 1969 were \$196,347 or 20c per share compared with \$166,534 or 17c per share in the same period in 1968, an increase of 18 per cent.

Warehouse capacity has been increased by the leasing of additional space adjacent to the Company's premises and the use of an additional public warehouse, which capacity will help the Company to sustain the continuation of the upward sales trend. Due to the seasonal aspect of our business which normally results in increased sales for the latter half, it is expected that sales of the remainder of the year will be substantially higher and will be reflected in correspondingly higher net earnings.

Michael Segal, President

STATEMENT OF EARNINGS (Unaudited)

For the Six Months ended April 30

	<u>1969</u>	<u>1968*</u>
Sales	\$4,041,089	\$3,881,058
Earnings before income taxes	405,347	338,419
Provision for income taxes	<u>209,000</u>	<u>171,885</u>
Net earnings	<u>\$ 196,347</u>	<u>\$ 166,534</u>

STATEMENT OF SOURCE AND USE OF FUNDS (Unaudited)

For the Six Months ended April 30

	<u>1969</u>	<u>1968*</u>
Funds Provided		
From operations:		
Net earnings for the period	\$ 196,347	\$ 166,534
Non-cash charges—Depreciation and amortization	<u>6,358</u>	<u>7,427</u>
	\$ 202,705	\$ 173,961
Portion of special tax refundable within twelve months	2,388	270
Proceeds from share issue	<u>460,000</u>	<u>—</u>
	<u>\$ 665,093</u>	<u>\$ 174,231</u>
Funds Used		
Net additions to fixed assets	\$ 8,356	\$ 9,569
Special refundable tax	—	2,379
Other	<u>—</u>	<u>179</u>
	<u>\$ 8,356</u>	<u>\$ 12,127</u>
Increase in Working Capital	<u>\$ 656,737</u>	<u>\$ 162,104</u>

* Based on figures of amalgamated companies Segal's (Michael) Inc. and Popular Industries Inc.



Popular Industries Limited

3556 St. Lawrence Blvd., Montreal 130, Canada

Board of Directors

Stanley Butler, M.D.	Lakewood, California
Gerald Cohen	Montreal, Quebec
Hyman Hass	Montreal, Quebec
E. Allan Lovelace	Toronto, Ontario
Michael Segal	Hamilton, Bermuda
Gordon C. Watt	Montreal, Quebec
William Tsu Liang Yao	Kowloon, Hong Kong

Officers

Michael Segal	President
Gerald Cohen	Senior Vice-President
Charles Akerman	Vice-President, Sales
Seymour Steinman	Vice-President, Sales
Yoine Goldstein	Secretary-Treasurer

Transfer Agent and Registrar

Canada Permanent Trust Company — Montreal, Toronto,
Calgary, Vancouver.

Auditors

Richter, Usher & Vineberg, Chartered Accountants,
Montreal, Quebec.

Listed

Montreal Stock Exchange

Popular Industries Limited

President's Report to the Shareholders



Michael Segal, President

Popular Industries Limited became a public company in early 1969 and its shares were listed for trading on the Montreal Stock Exchange. Our first annual report affords us the opportunity to welcome some 600 shareholders from coast to coast in Canada and to describe the policies and operations of Popular Industries Limited.

Sales for the year ended October 31, 1969, reached an all-time high of \$9,198,433 surpassing the previous twelve month period by approximately 7.7 per cent after reducing the prior year's figures by the amount of sales tax as explained in Note 2 to the financial statements. Net earnings amounted to \$470,223 or 48 cents per share. Working capital increased by \$934,652 generated from profit from the operations and proceeds from the public offering of shares.

The Company's progress would have been further enhanced during the year but for two events beyond our control that influenced sales. A temporary surtax was imposed by the Government of Canada on merchandise from Korea and Malaysia and was subsequently removed. Steps were taken by the governments involved to prevent a recurrence of the cause for such regulatory actions. We therefore anticipate increased sales of merchandise imported from these countries. The other event was an extended longshoremen's strike on Canada's West Coast that forced us to ship via alternate routes, creating higher transportation costs and delayed delivery schedules.

Highlights

	1969	1968*
Sales	\$9,198,433	\$8,801,893
Earnings before income taxes	990,223	952,947
Income Taxes	520,000	492,965
Net Earnings	470,223	459,982

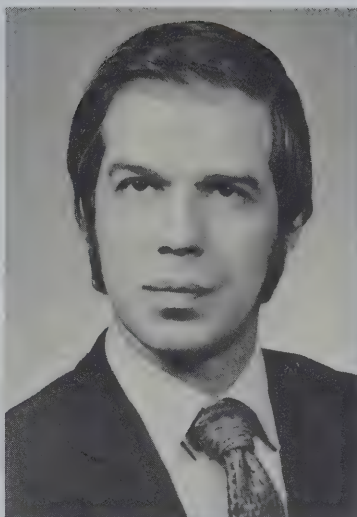
Popular Industries Limited is an importer and wholesaler of a broad range of men's, women's and children's wearing apparel. Because of our unique method of operations, we are able to service large department stores, retail chains, mail order houses and specialty shops across Canada with merchandise that is currently fashionable and competitively priced. Our manufacturer-suppliers located in Hong Kong, Taiwan, Malaysia, Korea and Japan produce merchandise to our design, colour, fabric and size specifications with our own inspection staff on hand to insure quality control standards. This procedure has proved important in establishing and maintaining good relations with our customers.

Major retailers have recognized the benefits to them of planning and purchasing through Popular Industries Limited. We are in a position to supply exact requirements as to quantities, sizes, fabrics, colours and styles. Our arrangements with manufacturer-suppliers, built up over many years and by frequent visits, insure customer satisfaction with the quality, workmanship and adherence to design specifications in the production of our orders. Because of the substantial volume of business placed by us, we are able to deliver merchandise that sells at very favourable prices in Canada's highly competitive retail fashion business.

* See Notes 1 and 2 to the Financial Statements.



Gerald Cohen, Senior Vice-President



Yoine Goldstein, Secretary-Treasurer

Fashion has always been important in the Ladies' and Girls' wear business and is now assuming equal significance in the Men's and Boys' wear divisions. Our ability to forecast style changes and keep abreast of fashion trends has enabled us to provide our customers with immediate product availability to satisfy the swiftly changing fashion tastes of today's customers. Frequent marketing trips to world style centres and the flexibility to put the newest fashion trends into immediate production have established Popular Industries Limited as a leader in its field in the Canadian market. Our merchandise is shipped under our dozen or so well-established labels.

In addition to our regular lines of dress and sport shirts, blouses, slacks and sportswear, we have developed a broad range of knitted items that include such high-demand stretch knit garments as slacks, shorts, tops and jumpsuits. Crochet items have been our latest addition and these popular "see-through" styles are now considered a "must" by all buyers of Ladies' and Girls' knitwear. We are receiving excellent results with our double knit wool items that are priced very favourably when compared to similar products available from world markets.

During the year, leased facilities in Montreal for warehousing and shipping were increased to provide greater efficiency in servicing our customers and to equip us with needed space to handle an anticipated increase in business volume. At the present time these added premises are assisting in the movement of merchandise from the six bonded warehouses used by the Company.

We are fortunate to have pioneered in our industry at a time when fashion was emerging as a major influence in the life style of Canadians and at a time when imported wearing apparel was rapidly gaining favour with the public. We have developed

management procedures and guidelines that have resulted in a well-established record of increases in volumes and profits. At the same time, we have enjoyed excellent customer acceptance for our merchandise and have gained a reputation for supplying style and quality at competitive prices. Our merchandise in retailers' stock helps them create goodwill among their customers by providing budget-conscious consumers with an economically-priced product for their spending dollar. Consumers are more aware than ever before of the need to fight inflation, particularly in the shopping centres of our towns and cities.



Sales Vice-Presidents Charles Akerman and Seymour Steinman

Our brand names are well known among shoppers throughout Canada. We invite shareholders to look for these labels on a wide range of wearing apparel during their shopping trips.

In accordance with our policy of adding to management strength as the Company grows, we are pleased to announce the appointment as Vice-Presidents of Mr. Charles Akerman and Mr. Seymour Steinman. Mr. Akerman and Mr. Steinman, both of whom have been with the Company for many years, will assume added responsibilities in the sales field in order to further advance our market penetration and coverage.

Popular Industries Limited has taken on a new sense of purpose and vigour throughout its operations. We are confident that our plans and objectives will lead to ever-increasing profitability in the current year and beyond.

We are grateful to the many employees, associates and shareholders whose loyalty and assistance are making such a fine contribution to our progress.

Michael Segal
President



Popular Industries Limited

Balance Sheet

as at October 31, 1969

(With Comparative Figures for 1968)

Assets

Current

	1969	1968
Cash	\$ 424	\$ 300
Accounts receivable	1,528,507	1,288,205
Merchandise inventory, valued at the lower of cost or net realizable value (Note 3)	4,760,804	3,222,325
Prepaid expenses	9,681	18,245
	<u>6,299,416</u>	<u>4,529,075</u>

Other

Special refundable tax	<u>—</u>	<u>4,767</u>
------------------------	----------	--------------

Fixed

Furniture, fixtures and equipment, at cost	55,161	48,447
Automobiles, at cost	31,092	29,973
	<u>86,253</u>	<u>78,420</u>
Accumulated depreciation	53,366	49,182
	<u>32,887</u>	<u>29,238</u>
Alterations to leased premises, unamortized balance	1,439	4,750
	<u>34,326</u>	<u>33,988</u>
	<u>\$ 6,333,742</u>	<u>\$ 4,567,830</u>

Signed on behalf of the board:

Michael Segal, Director

Gerald Cohen, Director

Auditor's Report

To the Shareholders of Popular Industries Limited

We have examined the balance sheet of Popular Industries Limited as at October 31, 1969 and the statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Montreal, Quebec
January 27, 1970

tries Limited

Sheet

31, 1969

for the Previous Year)



Liabilities

Current

	1969	1968
Bank indebtedness (Note 4)	\$ 1,722,229	\$ 999,543
Accounts payable and accrued expenses	1,816,505	1,790,105
Income taxes payable	529,721	425,508
Loans payable, shareholders	—	17,610
	<u>4,068,455</u>	<u>3,232,766</u>

Shareholders' Equity

Capital Stock (Notes 1 and 5)

Authorized:		
1,200,000 shares without par value		
Issued:		
975,000 shares (1968 - 875,000 shares)	583,000	123,000

Retained Earnings

1,682,287	1,212,064
<u>2,265,287</u>	<u>1,335,064</u>

\$ 6,333,742

\$ 4,567,830

Report

In our opinion these financial statements present fairly the financial position of the company as at October 31, 1969 and the results of its operations and the source and use of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Richter, Usher & Vineberg,
Chartered Accountants

Popular Industries Limited

Statement of Earnings and Retained Earnings

for the year ended October 31, 1969

(With Comparative Figures for the Previous Year - Unaudited - Note 2)

	1969	1968
Sales	\$ 9,198,433	\$ 8,801,893
Cost of goods sold, selling, general and administrative expenses, exclusive of depreciation, amortization and interest	8,015,622	7,774,779
	1,182,811	1,027,114
Depreciation and amortization	13,886	13,381
Interest	178,702	60,786
	192,588	47,167
Income from operations	990,223	952,947
Provision for income taxes	520,000	492,965
Net earnings for the year	470,223	459,982
Retained earnings — beginning of year	1,212,064	752,082
Retained earnings — end of year	\$ 1,682,287	\$ 1,212,064

Statement of Source and Use of Funds

for the year ended October 31, 1969

(With Comparative Figures for the Previous Year - Unaudited - Note 2)

	1969	1968
Funds Provided		
From Operations		
Net earnings for the year	\$ 470,223	\$ 459,982
Non-cash items deducted in determining net earnings		
Depreciation and amortization	13,886	13,381
	484,109	473,363
Proceeds from issue of shares	460,000	—
Portion of special tax refundable within twelve months	4,767	540
Other	—	2,242
	948,876	476,145
Funds Used		
Net additions to fixed assets	14,224	13,149
Special refundable tax	—	2,379
Other	—	179
	14,224	15,707
Increase in working capital	934,652	460,438
Working capital — beginning of year	1,296,309	835,871
Working capital — end of year	\$ 2,230,961	\$ 1,296,309

Popular Industries Limited

Notes to Financial Statements

as at October 31, 1969

Note 1 — Amalgamation

Popular Industries Limited is the result of an amalgamation under the Quebec Companies Act of Segal's (Michael) Inc. and Popular Industries Inc. effective October 31, 1968 with an authorized capital of 1,200,000 shares without par value issuable for a maximum consideration of \$1,748,000, as confirmed by Letters Patent of that date.

The assets and liabilities of the amalgamating companies were brought forward and recorded in the accounts of the company at the amounts at which they were carried in the accounts of the amalgamating companies.

Note 2 — Comparative Figures

As a consequence of the amalgamation, the year end of the amalgamating companies changed from January 31 to October 31 and the audited financial statements presented to shareholders in the previous year covered a nine month period from February 1, 1968 to October 31, 1968. To permit a more meaningful comparison with the results of the current year, combined comparative figures of the amalgamating companies for the year ended October 31, 1968 are shown in the accompanying statements; these comparative figures are unaudited.

The company accounts for and pays federal sales taxes when goods are sold and hence the sales for the current year are shown net of sales taxes. In the previous year, pursuant to federal sales tax rules, one of the amalgamating companies was paying federal sales taxes when goods were received. Consequently the sales of the previous year, if accounted for on the same basis as in the current year, would have been shown lower by approximately \$260,000.

Note 3 — Merchandise Inventory

The company follows the practice of recording duties in its accounts at the time goods are cleared from customs. Consequently, custom duties of approximately \$842,000, payable when goods are cleared, have not been included in the accounts of the company on goods in bond in the amount of \$2,985,988 and on goods in transit in the amount of \$369,409.

Note 4 — Bank Indebtedness

Bank indebtedness is secured by accounts receivable and by hypothecation of warehouse receipts and bills of lading.

Note 5 — Capital Stock

During the year the company issued 100,000 shares for \$460,000 cash.

Note 6 — Pension Plan

Under the terms of the pension plan, retirement benefits are provided for eligible employees. Past service costs and vested benefits were fully provided. For the current year a charge of \$12,000 for current services was made and is payable within 120 days from October 31, 1969.

Note 7 — Directors' and Senior Officers' Remuneration

\$179,977 in aggregate direct remuneration to directors and senior officers has been deducted in determining net earnings for the year ended October 31, 1969.



Popular Industries Limited

3556 St. Lawrence Blvd., Montreal 130, Canada

Abalene

International



Lucerne
SPORTSWEAR



CANDY
PERKINS

PARIANI



Alaricini
ORIGINAL
FULLY FASHIONED



GOLDEN ABALENE
WESTERN STYLING

The Dorce




LUCERNE

Bindy Gail



LUCERNE

Miss
Lucerne



